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SECOND CLASS

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August 21, 1989

David Glass mounts donkey at Harrison, Ark., store, 25 years after visiting Wal-Mart for first time. (DSN photo)

Ark. Unit Celebrates 25 Years

Glass Takes Donkey Ride Down Old Memory Lane

By Don Longo

HARRISON, Ark. — It took 25 years, but on a hot, muggy day here this month Wal-Mart president David Glass finally had to eat some disparaging remarks he made when the chain opened its second store, in this small Ozark Mountain town.

Longtime associates like Charlie Cates, the original store manager, and 20-year-plus employees Grace McCutcheon and Veena Biggs—not to mention chairman Sam Walton—cheered as Glass showed he could be as good a sport as anyone.

'This store was the catalyst. The company would not be where it is today if not for the success of this store.'

At a ceremony marking the 25th anniversary of a store that helped pave the way for the phenomenal success of the Wal-Mart retail chain, store manager Bill Lovell read from a *Fortune* magazine article (Jan. 30, 1989) that quoted Glass' first impressions of Wal-Mart and its founder:

"In 1962 Walton opened the first Wal-Mart in Rogers, Ark., near Bentonville. Meanwhile, in Missouri, David Glass, head of a successful drug retailing chain, heard about Sam and came to the grand opening of the second Wal-Mart, in Harrison, Ark. 'It was the worst retail store I had ever seen,' recalled Glass. 'Sam brought a few watermelon trucks in and stacked them on the sidewalk. He had donkey rides in the parking lot. It was 115 degrees, and the watermelons began to pop, and the donkeys began to do what donkeys do, and it all mixed together and ran all over the parking lot. And

(Continued on page 10)

Ames Deals Variety Div. To McCrory for $80M

Retailer to Focus Efforts on Discount Department Stores

By Pete Hisey

ROCKY HILL, Conn. — As expected, Ames Department Stores has sold its G.C. Murphy variety store division to McCrory parent E-II Holdings Inc. Ames originally acquired 263 variety stores, along with 118 Murphy's Mart discount stores, in 1985 in a $205 million takeover.

The current 130 Murphy stores, along with 25 Bargain World units, which reported sales of approximately $175 million last year, were sold for $80 million. "We were very happy with the price," said Ames spokesman Bill Roberts.

President and ceo Peter Hollis explained the deal by saying that "the Zayre acquisition has positioned us to achieve long-term growth in general merchandise retailing, which will continue to be the primary focus of our growth and investment."

Variety stores, although profitable and at one time a significant part of Ames' business, were a drain on the work force and did not fit in with the firm's long-term plans, he said.

The proceeds of the sale will be used to retire long-term debt, Hollis said. After applying the after-tax total to debt, the company will have reduced long-term debt related to the Zayre acquisition from $425 million to approximately $235 million in less than a year.

The Ames/McCrory Deal

Sold to McCrory Parent E-II Holdings:
130 G.C. Murphy Stores
25 Bargain World Stores
Cash to Ames: $80 Million
To help pay down debt from Zayre acquisition
New Ames Store Counts:
691 Full-line Ames & Zayre discount dept. stores
17 Crafts & More Stores
5 Office Shop Warehouses

Source: DSN *research*

Hollis had mentioned that Murphy might be for sale at the annual shareholders meeting in June, but added that Ames required fair value. In addition, he said at that time that a major

(Continued on page 57)

Food Wholesaler Strikes Back at Clubs

Southwestern Convenience Club Offers Food for Thought

By Arthur Markowitz

CITY OF COMMERCE, Calif. — Food wholesalers have begun to strike back at their main competitors, membership warehouses.

Certified Grocers of California Ltd. (Cergro) at presstime had opened a food wholesale club called Convenience Club in Phoenix, Ariz., and is set to launch another food club in Long Beach, Calif., early next month.

Other grocery wholesalers have expressed interest in Cergro's move.

Cergro's concept could develop into a challenge to membership warehouses' food business in much the same way that discount office supply stores have cut into the industry's office supply and furniture business.

The Convenience Clubs are designed to win back convenience stores, supermarkets, restaurants and similar businesses that have turned to membership warehouses for either core groceries, H&BA and general merchandise, or for fill-in goods.

The two stores are modeled on wholesale clubs, using the same warehouse fixturing and operating techniques. Membership fees are $15 for the first business card and $5 each for two additional cards. Blue star cards for consumers also cost $15.

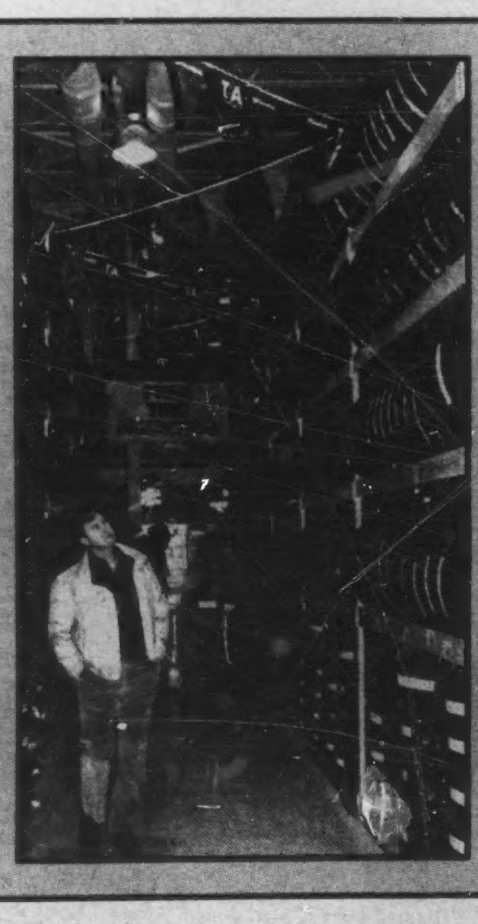
The two stores' first year sales were projected at $105 million by Jerry Friedler, Cergro president.

(Continued on page 57)

Tire Dealers Face Inflated Competition

With imposing racks of mostly brand name tires, wholesale clubs, hypermarkets and auto parts warehouses are poised to snare a larger share of sales in a relatively flat replacement tire market. Independent dealers are also cautiously watching Sears, which gained market clout when it bought Western Auto, along with its Tire America and NTW tire subsidiaries.

See story, page 47.



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MARKETWATCH

Johnson Back at Wal-Mart to Assist Sam's

BENTONVILLE, Ark. — A.L. Johnson has returned to Wal-Mart as vice chairman to work with the retailer's Sam's Wholesale Club division. Earlier this year, Johnson retired after 15 years with Wal-Mart. Prior to his retirement, he had been vice chairman in charge of Sam's, Hypermart USA and specialty divisions.

K mart Plans First Virgin Island Store

TROY, Mich. — K mart will open its first Virgin Islands store in the fall of 1990. The 86,479-square-foot store will be located on St. Thomas. "St. Thomas is the fastest growing area in the Caribbean," said Robert C. McAllister, K mart's vp, Southern region. The store will serve approximately 60,000 people, many of whom have had to fly to Florida or Puerto Rico to shop, he said.

Office Depot Stock Sale Raises $41.4M

BOCA RATON, Fla. — Office Depot has raised $41.4 million from the sale of 1.8 million shares at $23 per share to Carrefour, the French hypermarket chain. In an unrelated deal, investors that helped finance Office Depot's start-up recently sold just under 2 million shares at $21.75 per share, netting $40.7 million. Funds from the Carrefour deal will be used for Office Depot's expansion. Carrefour now has interest in three American retailers, its Carrefour hypermarket in Philadelphia and holdings in Office Depot and Costco Wholesale Club.

2 Single-Store Wholesale Club Ventures Fail

MONTGOMERYVILLE, Pa. — The membership warehouse concept hasn't been receptive to single-store operations. Two-year-old Net Cost Club closed its store in the Philadelphia suburb of Montgomeryville, citing the retirement of owner Alfred Hoffman as the reason. Its competitors in the Philadelphia market included two BJ's Wholesale Clubs and one Makro. In Sacramento, Calif., Price-Rite closed its store after failing to obtain capital for its planned expansion of at least two more units. The store, opened in March 1988, combined the concept of deep discount drug retailing with a wholesale club format.

Vermont American Rejects Newell Offer

LOUISVILLE, Ky. — Vermont American reported it has rejected a proposal from Newell Co. whereby Newell would obtain 20 percent to 25 percent interest in the company. Under the proposal, Newell would also gain board representation subject to a standstill agreement, with the goal of ultimately negotiating a merger between the two companies which would be "outside of [Vermont American's] current process," according to the Vermont statement. Robert Baker, president and ceo of Vermont, said that the board of directors decided to maintain its original stance of soliciting offers from all qualified prospective purchasers. ". . . Newell is invited to join that process on the same basis as all others," Baker said.

Off-Pricer Eyes Hooker Corp. Stores

NEW YORK — While Burlington Coat continues its efforts to acquire the assets of bankrupt Cohoes Specialty Stores for $4 million, Monroe Milstein, Burlington's president and chairman, is reportedly interested in acquiring Hooker Corp.'s retail holdings, including the Bonwit Teller and B. Altman Co. chains. Milstein would not disclose which Hooker divisions interest him the most, and he pointed out that interest in a deal is one-sided right now. Bonwit's and Altman's filed Chapter 11 petitions Aug. 9.

HQ Buys 4 WORKplace Units in Calif.

LONG BEACH, Calif. — HQ Office Supplies based here has agreed to purchase four Southern California WORKplace stores for approximately $8 million. The St. Petersburg, Fla.-based WORKplace entered the greater Los Angeles-area market last year, its first move outside its home state. The sale will reduce WORKplace's store count from seven to three, but company president Steve Westerfield said the chain is presently looking at some 20 new locations both in and outside of Florida. He said the sale of the Southern California locations will give WORKplace capital for part of this future expansion. HQ currently operates eight units in Southern California and Nevada, and expects to be operating 14 stores by year-end.

FOR THE RECORD

DSN incorrectly listed OfficeMax in the office supply megastore chart in the July 3 Annual Report issue. The company is headquartered in Solon, Ohio, a Cleveland suburb, and it was a start-up in 1988.

Spaulding Resigns as NHMA Head; Cites 'Management Differences'

Jay Spaulding

CHICAGO — Jay Spaulding has resigned from his post as president and chief operating officer of the National Housewares Manufacturers Association. While there has been speculation that his exit was triggered by the low turnout at the NHMA's summer conventions, both Spaulding and the association stressed it was not a factor.

Kimberly Rawn, director of communications with the NHMA, said Spaulding's resignation was due to "management and philosophical differences," adding "there was a difference of opinion regarding program and direction."

A search committee for a new president was formed during the Aug. 11 board meeting, Rawn said. "It is business as usual here . . . The second show did not make or break the decision [to accept Spaulding's resignation.]"

Spaulding concurred, saying, "The NHMA board and I have had management and program differences which have strained our relationship and that have been difficult for both of us. My resignation has immediately resolved this situation."

Spaulding told *DSN* that he has, "just started to receive inquiries," for other positions. However, he would only say he plans to utilize his experiences with retailers, wholesalers and manufacturers in a "multi-dimensional" manner.

Spaulding joined the association when numerous competing housewares shows were emerging, including one headed by former NHMA president Ronald Fippinger. The competition was spawned by a change in show dates from a spring/fall schedule to the current winter/summer agenda.

Under Spaulding's direction numerous changes have taken place, including the elimination of a seniority system for manufacturers attending what was then a mandatory second show.

The NHMA's shows have been easier for buyers to cover now that each category is generally grouped together within a single building.

Spaulding also changed the research group employed to produce the annual housewares industry report to Touche Ross, leading to a more detailed analysis.

Under Spaulding's direction, the NHMA has deepened its commitment to overseas trade shows. He also helped develop a course of study with Ohio State University for the housewares industry.

Wal-Mart Eyes New Vendor Store

Targets Upscale Charlotte Mall for Second Unit

CHARLOTTE, N.C. — Wal-Mart is putting its second vendor store in a new shopping center, The Arboretum, being built next to a posh residential and golf complex here called Raintree Village.

Developers originally were negotiating to put in a Lord & Taylor store to anchor the 600,000-square-foot mall located in the most affluent section of south Charlotte on Highway 51. When the attempt fell through, the developers turned to Wal-Mart, much to the consternation of some residents who had been counting on a tony department store for their district, rather than discount city.

When completed, The Arboretum unit will join the first test vendor store that Wal-Mart opened in Janesville, Wis., in late June (see *DSN*, July 17, 1989, page 1).

The upscale approach Wal-Mart vendors took with the first unit can be expected to mollify community opinion.

The Arboretum also will include a supermarket, drug store, medical center and 300 apartments.

Although construction is in early stages, Wal-Mart said it will open the 114,760-square-foot store by year-end, along with a second Charlotte store also currently under construction, reported *The Charlotte Observer*.

A third new store in the Charlotte market will open in suburban Gastonia by Nov. 1, said M.S. Van Hecke, a busi-

(Continued on page 60)

Teleshopper HSN Plans to Appeal $100M Libel Damages Award to GTE

CLEARWATER, Fla. — Home Shopping Network plans to appeal the $100 million in libel damages awarded to GTE earlier this month after a six-week trial in which a jury rejected the teleshopper's contention that it lost hundreds of millions of dollars in sales because of poor service by the telecommunications company.

HSN was ordered to pay $20 million to GTE while its two top executives, chairman Roy Speer and president Lowell Paxson, were each required to pay $40 million.

HSN had sought $1.5 billion—$500 million for lost profits and $1 billion in punitive damages—from GTE in its suit heard in the Pinellas County Circuit Court here. The teleshopper claimed that GTE didn't provide adequate equipment to handle HSN's large volume of calls in 1986 and 1987 as it expanded its video retailing into 11 new markets.

HSN cited a report by AT&T, its long-distance carrier, as the basis for its charges against GTE. AT&T wasn't involved in the case.

GTE won on its countersuit

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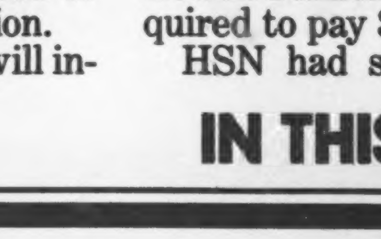

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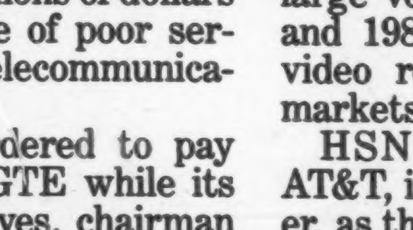

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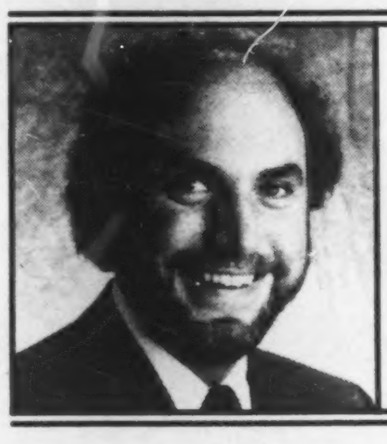
Listen and Learn From Your Customers

Although the methodology is different, most retailers solicit customer comments. The question is how many decision-makers actually review the comments? Or are they simply audited and filed by a trainee in the marketing department?

Last issue, I wrote about customer apathy. There's no doubt that most Americans want to shop away from home, but they are often discouraged and frustrated by poor service, lack of service, long lines, out-of-stocks, lack of new products, and so on.



TONY LISANTI
Editor

The time is right for all retailers to listen to their customers. Don't just pay lip service to their comments. Rather, review their suggestions with an open mind.

A few weeks ago, I received a four-page, hand-written letter from a concerned customer in Red Creek, New York. He had obtained a copy of *Discount Store News* from a friend who works for Stanley Tools. He said he had no direct contact in the discounting business, but he is a frequent shopper of discount stores. "As Joe Average consumer," he wrote, "may I make a few observations?"

Here are some of his candid comments.

"Shopping in a store should be a joyful experience. Not having the desired item, difficulty in locating items, non-caring personnel or no one present at all *screams* negative."

"All store personnel should be easily identified so customers can quickly ask their assistance."

"Waiting in long lines to give your hard-earned money to a cash register computer that takes too long to process is an insult to a concerned, busy customer."

"Sales are lost when clerks are eliminated."

"Catalog companies such as L.L. Bean sell high-priced merchandise to a well-heeled clientele. K mart and Wal-Mart should consider a selective type of mail order catalog for their customer base."

"Perhaps super stores could better handle products and people by a more distinct separation into a series of mini-stores all under one roof. Each store could better justify its space, personnel and inventory each day and hour."

"Why not have recorded voices making suggestions in each department? Could suggestions for related sales be put on packages or displays?"

"Skilled individuals must purchase the greatest volume of hardware, fixtures, cabinets, etc. Skilled individuals want special consideration—delivery, quality and price. They will always shop where they receive special attention."

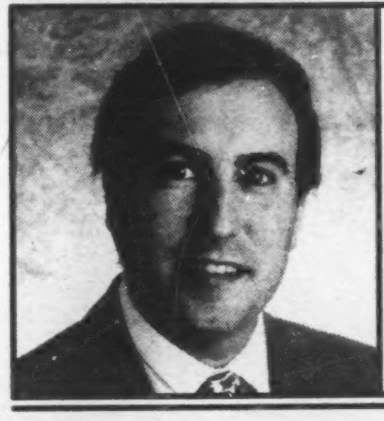
Regardless how you may react to the above comments, listening to the customer is critical. It's a basic principle of any service industry. But it's often neglected.

The customer is sending a message to retailers, and retailers must respond. The message is simple: Make the shopping experience an enjoyable experience.

BUYERS & SELLERS

Steinbrenner vs. Walton: Like Night and Day

Wal-Mart's ability to command news coverage on the front page of *Discount Store News* and in other major business publications rivals the attention Yankee baseball owner George Steinbrenner is able to grab on the sports pages of New York's daily newspapers.



DON LONGO
Exec Editor

The only difference is: Wal-Mart's news invariably concerns some positive accomplishment, such as opening the first truly American hypermarket, testing a revolutionary "vendor" store, expanding into major new markets like Chicago and central California, or reporting the type of sales and profits that have earned the discounter its recent designation by *DSN* as Retailer of the Decade.

Steinbrenner's notoriety usually comes from his foolhardy impetuousness, an ill-advised trade, second-guessing his manager, berating his players. His disdain for his employees and fans is well-documented.

In sharp contrast is Wal-Mart's attitude toward its employees and customers.

Walking through a crowd of associates at the 25th anniversary celebration of Wal-Mart's second discount store, located in Harrison, Ark., chairman Sam Walton asks: "Does everybody speak to our customers?"

"I wish seven or eight people would do that in every store. What do you think we could accomplish if everyone said, 'Good Morning,' to a customer. What would happen?"

Well, after the customer recovered from shock, she would probably buy something, and most likely, return another day to buy something again.

That attitude extends to its vendor relations, where Wal-Mart is sincerely trying to forge partnerships with its suppliers. That attitude also helps explain why Wal-Mart is a clear winner in the retail race. Meanwhile, the Yankees languish in sixth place, having lost more games than they've won.

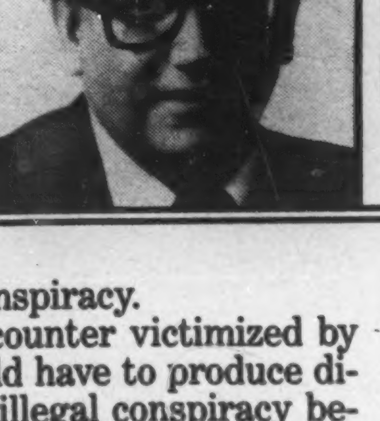
DSN will devote even more space to Wal-Mart. In recognition of Wal-Mart's success throughout the decade, *DSN* will profile the discounter in a special commemorative issue to be published December 18. Watch for it.

WASHINGTON REPORT

Let's Help Congress Rewrite the Rules on RPM

What good is a discount store that can't discount? Not much good at all. Indeed, there isn't much point to an off-price retailer who is unable to offer savings to his customers.

Despite its apparent pointlessness, the "non-discounting discounter" may very well become the wave of the future.



KEN RANKIN

A number of top federal antitrust policy makers believe that competition would increase and "consumer welfare" would be enhanced if manufacturers could prevent discounters from cutting prices. Unfortunately, the Supreme Court seems to have swallowed such thinking hook, line and sinker.

A few years back, the Supreme Court established strict new standards of evidence which made it next to impossible to prove the existence of a resale price maintenance conspiracy.

In effect, the court held that a discounter victimized by such resale price fixing activities would have to produce direct and unambiguous evidence of an illegal conspiracy before a jury could even be asked to hear the case.

Then last year the court dropped the second shoe. In an even stranger RPM ruling, the Supreme Court concluded that a conspiracy to choke off sales to a discount retailer is not necessarily illegal resale price fixing. Unless the conspiracy is aimed at forcing retailers to sell at a specific price it's not RPM, the court said in BEC vs. Sharp.

The effect was to extend an open invitation for manufacturers to eliminate price competition at the retail level.

Fortunately, there are some people who recognize the dangers posed by these two Supreme Court resale price maintenance rulings. Indeed, the House of Representatives passed legislation last year that would have in effect reversed the high court's rulings. In addition to restoring the traditional rules of evidence in RPM cases, that legislation gave statutory weight to the long-standing policy of treating resale price fixing as an automatic or per se violation of the federal antitrust laws.

However, the Senate failed to approve companion legislation last year. Fortunately, Sen. Howard Metzenbaum, D-Ohio, has reintroduced that bill (S.865) this year.

It's time for the discount industry to start pushing for action on that bill. Without help from Congress, the "non-discounting discounter" could soon be a reality.

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APPAREL

WOMEN'S/MEN'S/CHILDREN'S/HOSIERY/JEWELRY & ACCESSORIES/UNDERWEAR/INTIMATE APPAREL

Jeans' Popularity Wearing Thin

But Discounters Find a Silver Lining

Jeans at Hypermart USA, Dallas: The market for jeans has matured, but a larger percentage of shoppers are looking for the basic commodity at discount stores. (DSN photo)

By Kenneth M. Chanko
Nationwide DSN Report

While jeans remain at the forefront of American consumers' wardrobes, there are signs that the overall popularity of the venerable sportswear staple is on the downhill side. Luckily for discounters, those consumers who still wear jeans often tend to be discount store shoppers.

According to a *DSN*-commissioned national survey of American consumers, more than one in three American adults—36 percent—is wearing jeans less often today than three years ago. Just 29 percent are wearing them more often and 28 percent have made no change in their jeans-wearing habits (7 percent didn't answer).

The news for discount department stores, however, is not so gloomy. Among consumers who said they plan to buy their next pair of jeans at discounters, 39 percent are wearing jeans more often today than three years ago; 30 percent have not changed their frequency of wearing jeans, and 28 percent are wearing them less frequently.

In contrast, among consumers who said they wouldn't buy jeans at a discounter, 37 percent are wearing them less often, 28 percent the same and 27 percent more often.

This means that there is a greater willingness to purchase jeans at discounters among the most important consumer group—that which is wearing jeans more often. The fact that discount stores are less likely to be considered as an outlet for jeans among consumers who are wearing them less frequently—even though it's a larger group of consumers—shouldn't be that troubling.

Additionally, consumers who said they would buy jeans at a discount store have bought 5.4 jeans, on average, in the past two years, compared with 4.7 pairs among those who would go to another outlet.

These findings are compiled from phone interviews conducted in June by Chicago-based Leo J. Shapiro and Associates, with a national sample of 450 households, alternating between the man and woman of the home.

The survey also revealed that jeans manufacturers are losing women as a consumer group rather than men. Seventy-two percent of the men said they are wearing jeans either more frequently or as frequently as they did three years ago, while just 44 percent of the women answered the same way. Almost half the women—48 percent—said they are wearing jeans less frequently.

Two in three consumers have purchased an average of five pairs of jeans for themselves in the past two years, while two in five said they "definitely" will purchase a pair of jeans over the next 12 months; 26 percent said "maybe" and 25 percent said "definitely not."

Yet, once again, discounters were higher on the list of the consumer group that answered "definitely." Among consumers who would buy their next pair of jeans at a discounter, 50 percent said they would "definitely" be purchasing a pair within the next 12 months. By contrast, among consumers who said they would not buy their next pair of jeans at a discounter, just 43 percent said they would "definitely" buy a new pair in the next year.

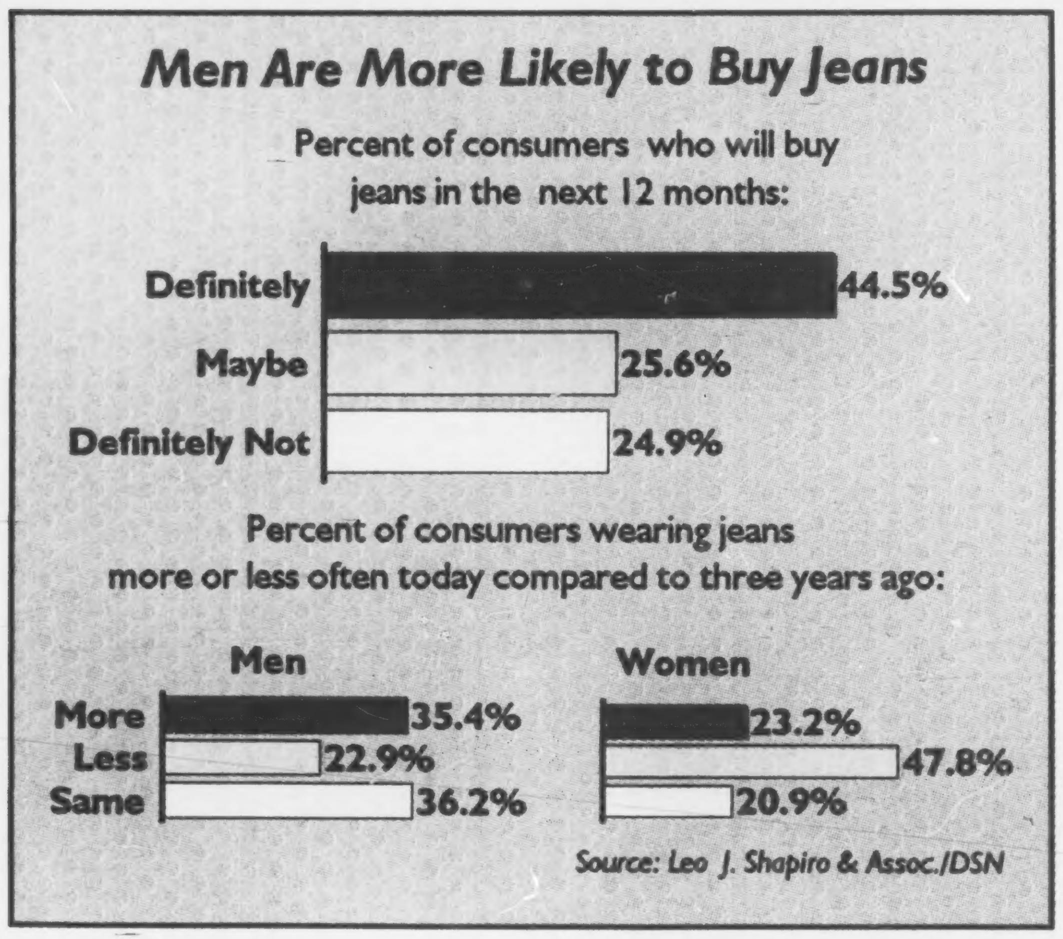
Not surprisingly, the survey revealed that the majority of jeans wearers are "baby boomers" or younger, and that the 45-year-old and older age group is wearing jeans less frequently today compared to three years ago than the under-45 group.

However, survey results indicate that the jeans market may be expanding as the jeans wearer ages. Fourty-four percent of adults age 45 and over have purchased an average of 4.4 pairs of jeans for themselves in the past two years. That isn't a great deal lower than the 5.1 pairs purchased by the under-45 set.

While there is some overall slippage in potential future demand for jeans, discount stores are as top-of-mind as any other outlet as far as con-

(Continued on page 20)

The survey also revealed that jeans manufacturers are losing women as a consumer group rather than men. Seventy-two percent of the men said they are wearing jeans either more often or as frequently as they did three years ago, while just 44 percent of the women answered the same way.



Source: Leo J. Shapiro & Assoc./DSN

MARKETWATCH

New Private Label Show Producer

NEW YORK — David Cheifetz, president of Conference Management Corp. (CMC), has reached an agreement with Schimel Co. to take over operation of Private Label Expo. According to Daniel Capozziello, CMC's newly appointed director for Private Label Expo, the next show will be held at the New York Hilton from May 22 to 24, 1990. There is no Private Label Expo scheduled for 1989; the show debuted in the spring of 1988 at the Jacob Javits Center. Private Label Expo has been managed by Schimel Co., producers of NAMSB. CMC, which is based in Norwalk, Conn., produces Fashion Accessories Expo. The last show—featuring manufacturers displaying men's, women's and children's apparel, as well as fabrics—attracted 6,000 buyers and 400 international resources.

Licensing Pacts Inked For Movie Classics

ATLANTA — Two 50-year-old movies — "The Wizard of Oz" and "Gone With the Wind" — are finally getting the licensing treatment. In the case of Oz, Wendy Gell Jewelry and Turner Home Entertainment (T.H.E.) have signed a deal that will have Gell using characters and images from the 1939 children's classic to animate jewelry, scarves, gloves and other accessories. The upscale pieces will range from $60 to $7,000, but a similar line of less expensive, gold-plated jewelry will carry $20 to $30 price points. As for "Gone With the Wind," T.H.E. has signed on Creative Fragrances, which will introduce its new women's fragrance, "Miss Scarlett's Gone With the Wind." Artist LeRoy Neiman has been commissioned to create an original painting commemorating the 50th anniversary of the film epic, and the artwork will be used for the print ad campaign.

Licensing Stays Hot

NEW YORK — The Gitano Group has reached a licensing agreement with the Lori Corp., a subsidiary of the Artra group, to produce a complete collection of costume jewelry for women under the Gitano label. The collection, which will consist of earrings, bracelets, necklaces, pins and other accessories, is scheduled for spring 1990 delivery . . . Airway Industries is the new Brittania Sportswear Ltd. licensee for soft-sided luggage, tote bags and business cases under the Brittania, Brittgear and Brittsport labels. Product will be shipped to retailers for fall 1989 . . . Reed st. James has reached a licensing agreement with Tandy Brands Accessories to market a complete line of leather goods accessories and men's jewelry items, including belts and wallets, for fall delivery.

Consumers' Enthusiasm for Blue Jeans Cools Off

(Continued from page 19)

sumers are concerned. When asked where they would go if they wanted to buy a new pair of jeans for themselves, 21 percent of American adults said they would go to a discount department store; 22 percent said a specialty clothing store, 19 percent said a national merchandiser (Sears, Penney and Ward) and 20 percent of the respondents said a traditional department store.

However, the discount store (25 percent)—and the mass merchandiser (25 percent)—comes to mind more often than the department store (15 percent) or the specialty apparel store (15 percent) when it comes to buying jeans for children.

Yet parents are less likely to be buying jeans for their children than themselves over the next 12 months, according to the survey.

When asked "what are the chances that you may be buying jeans for a child in the coming 12 months?" only 35 percent said "definitely," while 45 percent said "definitely" when asked about buying jeans for themselves.

Further breaking out the responses to "which store would you be most likely to go to if you were going to buy some jeans for yourself?" 8.7 percent named K mart. Sears, named by 9.9 percent, was the only chain to top K mart. JCPenney got 6.8 percent of the responses, and The Gap edged out Wal-Mart, 4.5 percent to 4.1 percent.

Of those who said they would buy their next pair of jeans at a discounter, K mart—42.2 percent—was named by more than double the number of people who named Wal-Mart—19.8 percent. Next was Target at 7.1 percent, followed by Hills at 3.8 percent.

The Power of Brands

The power of brands remains very strong in this category. When asked if "you have a specific brand in mind that you would want?" almost three in four—71 percent—said "yes."

Of that group, Levi's (34.2 percent) was named by almost triple the number of those who named Lee (11.6 percent), the second most popular jeans brand. Going down the brand preference list—Wrangler (9.1), Guess? (3.9), Jordache (3.2), Chic (2.5), Gitano (2.0), Calvin Klein (1.9), Sears Brand/Toughskins (1.3) and Rustler (1.3).

Among those who would buy their jeans at a discounter, however, Levi's isn't as popular (29.4 percent), though it's still the No. 1 choice. Wrangler (18.4) skyrockets beyond Lee (14.8), and Chic (6.3), Rustler (5.3) and Gitano (3.5) increase as well. Guess? and Calvin, of course, aren't even considered among the discount store shopping set, and Jordache (1.1) by hardly anyone.

Adults are far less brand-conscious when it comes to buying jeans for their children, however. Only slightly more than half (56 percent) said they had a particular brand in mind when shopping for jeans for a child under 14. The brand rankings among those who also would shop at a discounter are—Levi's (22.3 percent), Lee (13.0), Wrangler (10.1) and Rustler (2.5).

As to price and style, the traditional view of the discount shopper expecting to pay less and wanting less fashion is reinforced by the survey's findings. Also not surprisingly, the under-45 woman is the most fashion-conscious customer.

While $24.80 is the average price respondents said they "would expect to pay to get the jeans that you want," the consumer group that said it would buy the jeans at a discounter expects to pay just $19.20, on average.

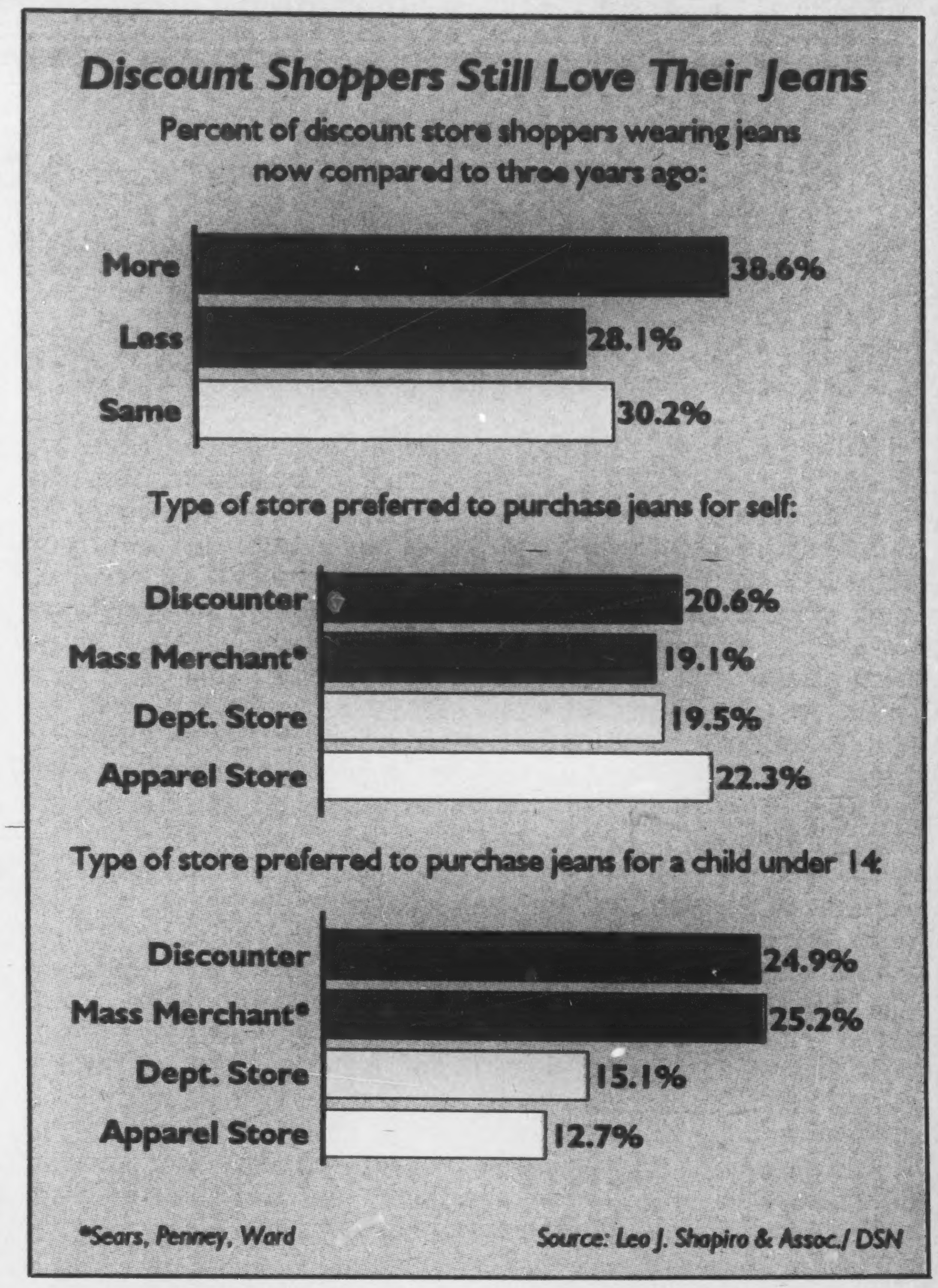
Also, not surprisingly, among consumers shopping at all outlets, women expect to pay more ($26.80) than men ($22.90), on average, and the under-45 set expects to pay more ($26.40) than the over-45 group ($22.20).

When it comes to washings and finishings, discount store shoppers want "regular denim" (63 percent) over "prewashed jeans" (35 percent) by almost three to one. This contrasts sharply with those who said they would not shop at a discounter—those actually favored prewashed (45 percent) over regular (44 percent).

However, among shoppers of all outlets, more than half (52.5) of those under 45 wanted prewashed, and almost half (49.4) of all women wanted prewashed.

One in three discount store shoppers said they would want a "faded" or "stonewashed" look to their jeans. Interestingly, the difference between discount store shoppers and non-discount store shoppers wanting or not wanting a faded look was less pronounced than when it came to regular or washed. More than half (51.2 percent) of those who said they would not shop at a discounter also preferred no faded or stonewashed look.

Again, slightly more than half of the under-45 set said they did want a faded or stonewashed look, and more women than men (43 percent vs. 34 percent) wanted the faded look.


Discount Shoppers Still Love Their Jeans

*Sears, Penney, Ward

Source: Leo J. Shapiro & Assoc./ DSN

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Clubs, Sears Inflate Tire Market

Warehouse Clubs Make Inroads As Full-Liners Lessen Commitment

By Richard C. Halverson
Nationwide DSN Report

As more and more full-line discounters and mass merchants, including Target, Venture, Zayre and JCPenney, got out of the auto service business, and K mart continued to close auto centers—the estimated discounter and mass merchant share of the tire replacement market slipped in 1986 to 20 percent from 21 percent in 1985 and 1984 and 22 percent in 1983.

But, thanks to the growth in wholesale clubs, the market share for the mass market category crept back to 21 percent in 1987 and 1988 and possibly will gain another point in 1989 to 22 percent, estimates *Modern Tire Dealer*, the Akron, Ohio-based trade publication.

Indicating the growing importance of warehouse clubs, Price Club now commands the largest share of the Los Angeles tire replacement market, the *Los Angeles Times* estimated in a market survey. The Price Club share for the first half of 1988 was 9.2 percent, up from 7.8 percent in 1987 and 3.7 percent in 1985. In the market study, Goodyear stores came in second at 8.5 percent, also up from 7.8 percent in 1987 but only 1.1 percentage points up from 7.4 percent in 1985.

By the end of the year, some 378 warehouse clubs will be operating, *DSN* projected in its 1989 census issue July 3, 1989, compared with 316 on January 1. Sam's Wholesale Club will account for the largest number, 125, with Costco trailing at 62 units.

More than wholesale clubs, however, independent dealers are worried about the new market clout that Sears gained when it bought Western Auto, along with its Tire America and NTW tire company subsidiaries, said Robert Ulrich, senior editor for *MTD*.

Sears now may control 12 percent to 14 percent of the market, Ulrich estimated, up from about 7.5 percent prior to the acquisition.

Warehouse clubs appear to be taking market share from full-line discounters rather than independent tire dealers, said Tony Hylton, communications director for the National Tire Dealers and Retreaders Association, a trade organization that represents independents.

"Everybody's a discounter in the tire business," Ulrich said. "Tires are like a commodity now."

"There is no more list price. You're crazy to publish list prices now," Ulrich said.

Tire merchandisers are slugging it out for a replacement tire market that grew only 2.2 percent in 1988, with customers buying fewer tires per transaction.

Including 39 million imported tires, industry shipments totaled 155.3 million in 1988, *MTD* reported, compared to 151.9 million in 1987. Retail prices averaged $51.80 in 1988 and the average number of tires per sale was 1.1, down from 1.9 in the late 1970s.

Estimated Share of Passenger Tire Replacement Market

Outlet	1988	1987	1986	1985	1984	1983
Tire Dealers	56%	56%	56%	55%	55%	54%
Discount Stores, Mass Merchants[1]	17	17	17	21	21	22
Warehouse Clubs[2]	4	4	3	NA	NA	NA
Tire Company Stores	12	11	11	10	10	10
Service Stations	7	8	8	9	9	9
Auto Dealers	2	2	2	2	2	2
Miscellaneous	2	2	2	2	2	2

NA—not available
[1] Includes Sears and Montgomery Ward.
[2] Until 1986, warehouse clubs were included in discount store category.
Source: Modern Tire Dealer

A Tire America by Sears test automotives store in Richmond, Va.: Through its acquisition of Western Auto, along with its Tire America and NTW subsidiaries, Sears is in a position to double its share of the replacement tire market to an estimated 14 percent from an estimated 7.5 percent. (DSN photo)

Longer-lasting radials account for the decline in the number of tires per sale, Ulrich said.

Countering those dismal trends, the market share for high performance tires—with higher price tags—is growing rapidly. Performance tires will account for 30 percent of replacements in 1990, *MTD* projected, compared to 25 percent in 1988 and 17 percent in 1986.

Another trend is toward branded tires, although private labels still accounted for 40 percent of shipments in 1988, Ulrich said.

Montgomery Ward led the way three years ago when the mass merchant started carrying about eight national tire brands, along with its private label offerings.

Pep Boys—Manny, Moe & Jack, for example, switched last year from exclusive reliance on its Cornell private la-

(Continued on page 55)

MARKETWATCH

Auto Warehouse Club To Debut in October

SAN DIEGO — A second automotive parts warehouse club chain is in the works. Auto Parts Club expects to open the first of two 40,000-square-foot San Diego units in October. The new chain expects to open 15 to 25 units over the next three years on the West Coast and in Arizona. Annual membership fees will be $35 for businesses and $25 for qualified group members. President of the new concern is John Carlson, while Robert Ames will handle marketing. Auto Club said that the venture capital it raised through Equity Investors, San Jose, Calif., will enable to launch operations debt fee.

Previously, Robert McNulty, founder of the HomeClub home center chain and the now-defunct All American SportsClub chain, raised $27 million through a public stock offering to launch a chain of 50,000-square-foot auto parts warehouse clubs to be called Auto Giant.

1990 Home Center Show Expands

CHICAGO — The 1990 National Home Center Show will be bigger but half a day shorter, running from March 11 to 13. To accommodate vendors on the waiting list for last year's show, show management is opening a fourth level, the lower level of McCormick Place North, as well the upper level, North, and both levels of McCormick Place East. The 1990 show will be the 15th annual event. To make it easier to work the show, the board of directors has decided to categorize the show, lumping, say, all paint vendors in the same building, on the same level.

Sporting Goods Apparel Sales Dip

NORTH PALM BEACH, Fla. — Unit sales of sporting goods apparel slipped 1.7 percent to 77 million pieces in the first four months of 1989, but dollar volume rose 8.6 percent to $6.3 billion, compared to the same span of 1988. The Sporting Goods Manufacturers Association said results of its apparel market index reflects in particular soft sales of ladies fleece as consumers resisted attempts to pass along higher raw material costs. The women's market was flat, although dollar volume rose 14.3 percent. Discount stores captured 24.9 percent of the sports apparel market, determined the study conducted by KSA/NPD for the SGMA. The study also determined that one in every five dollars women spend on sports apparel is for garments actually used in active sports, rather than for apparel for casual and fashion wear.

BTS Show Dates Set

NEW YORK — Next year's eighth annual National Back-To-School Merchandise Show will be held Feb. 10 to 12 in the Jacob Javits Convention Center, announced show sponsor Thalheim Expositions. The show is the only one in the United States devoted to the back-to-school market for office, stationery and home office supplies.

Nichols Sells Division

NEW YORK — S.E. Nichols has completed its previously announced sale of its F.R. Schreiber wholesale division to an investor group, including management. Nichols received $19.7 million, $17.7 million cash and $2 million in notes. Nichols retains a 10 percent equity interest in Schreiber.

Clubs, Sears Grab Larger Share of Tire Market

(Continued from page 47)

bel and now carries high performance tires in a variety of national brands such as Bridgestone.

Western Auto, following its acquisition of Tire America in 1987, started a program of national brands, including Michelin and Goodyear.

In line with its new thrust into brand merchandise and lower everyday prices, Sears is experimenting with three different auto center concepts, each involving a range of branded tires at sharp prices. In addition, it slashed the price of its private label Road Handler tires to make them more price competitive with independent dealers.

As indicated by test stores in Richmond, Va., Sears appears determined to make tires one of its "power formats." Capitalizing on the tire expertise gained by acquiring Western Auto and its Tire America subsidiary, Sears has converted auto centers in its four Richmond stores to a format it calls Tire America by Sears that focuses on tires and tire-related services, such as front-end alignment and shocks. (See *DSN*, March 20, 1989, page 47.)

At those centers, customers can buy either off the floor or through special order virtually every tire produced in the free world, including Michelin, Pirelli, Goodyear, Bridgestone (a Japanese make), Yokohama, and even Fulda, made in West Germany.

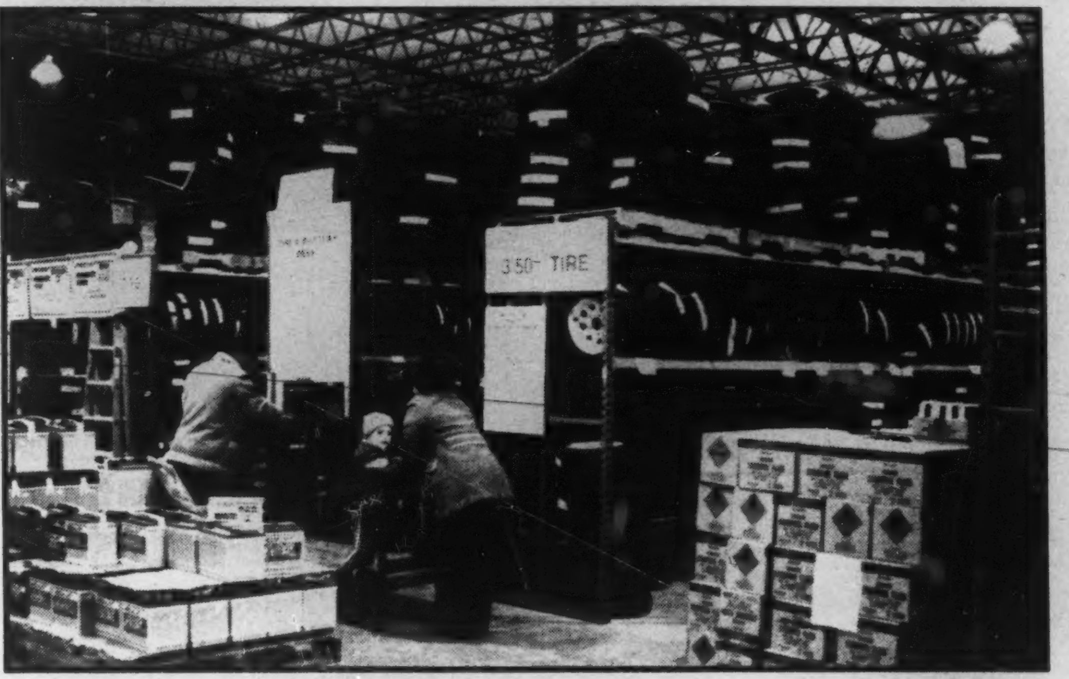
In other test auto centers in Milwaukee, Sears also is emphasizing branded tires and tire related services. Even conventional Sears auto centers have started to carry Pirelli brand tires.

In a late development, Sears is installing Tire Match machines from Assix, Tampa, Fla., in all of its 824 auto service centers. In a step beyond electronic spin balance, Test Match promises through a computerized program to match each tire against the other four, shaving off minute bits of rubber to make sure they do.

The service, which will cost $4 at Sears, in addition to the normal $6 to $7.50 charge for balancing, promises extra profits in tire service.

Western Auto and Pep Boys are other service-oriented automotive specialty chains using Tire Match, Assix said.

Road hazard warranties are another way discounters are attempting to increase profits in the hotly competitive tire replacement market.



Tires at The Wholesale Club, Indianapolis: The proliferation of warehouse clubs has helped the discount store/mass merchant category increase market share in tire sales. (DSN photo)

The Sam's Wholesale Club in Louisville, Ky., for example, offers road hazard warranty for $3 per tire, in addition to $3 per tire for balancing. Installation and valve stems are free. It offers Bridgestone, Michelin and General Tire brands.

At the Stone Mountain (Atlanta) K mart, road hazard warranty can bring in extra revenue of $3.50 to $5.50 per tire, in addition to the $6 per tire for balancing. Customers can chose between Bridgestone, Uniroyal and Mohawk national brands.

At American Fare, K mart's hypermarket in Stone Mountain, customers also can choose from top quality brands, such as Michelin and Bridgestone and secondary brands such as Mohawk, Strato-Flite and Frontier-Golden Jet. While American Fare offers no tire service, tire customers can take their purchases to a K mart for free mounting and purchase tire balancing and road hazard warranties at the same prices that K mart customers pay.

At American Fare, everyday tire prices run about $10 less per tire than at K mart, an automotive representative said, while prices are about the same when K mart puts tires on sale.

At Wal-Mart's Hypermart USA in Arlington, Texas, customers can choose from B.F. Goodrich, Michelin and Yokohama brands and get balancing and road hazard warranties for the same price Sam's charges, $3 and $3.

As for price comparisons with a Wal-Mart store, a Hypermart USA tire service rep said, "I know I'm cheaper than Wal-Mart. But they don't carry the same brands of tires."

In the Dallas market, Wal-Mart carries General Tires, the service rep said.

Last December Ames became the latest discounter to abandon the tire replacement market. Ames offered no tire service until it acquired last October the Zayre chain, which operated tire specialty service at 88 of its 388 stores.

In 1987, Zayre had given up on comprehensive auto service and converted auto centers in 105 stores to specialty tire centers called Tire Slashers. But Ames closed the remaining Tire Slasher centers just two months after acquiring Zayre.

And, K mart and Wal-Mart are taking a selective approach to auto service and tires.

For the past four years, K mart has been selectively closing auto service centers that fail to meet profit expectations. Only an estimated 1,200 K marts out of 2,200 now handle tires and the number continues to dwindle. That compares with about 1,600 four years ago.

And, Wal-Mart offers auto service only in about 275 stores out of more than 1,246. In its new store in Louisville, opposite the Jefferson Mall, for example, Wal-Mart offers no auto or tire service. A Firestone tire store sits alongside.

When ShopKo opened its new Twin Valu hypermarket in Cleveland this spring, it skipped tires entirely. And the Carrefour hypermarket in Philadelphia has reduced sharply the floor space devoted to tires and primarily offers only Michelin brand products.

Sears Unloads Eva Gabor Wig Subsidiary

CHICAGO — Sears, Roebuck & Co. has sold the Eva Gabor International wig distributing company it had acquired in April 1988 as part of its Western Auto acquisition. Purchaser for $19.6 million is the BN Capital Corp., which specializes in leveraged buyouts. Gabor executives also got a piece of the company. Sears retains other Western Auto subsidiaries, the Tire America and National Tire Wholesale chains.

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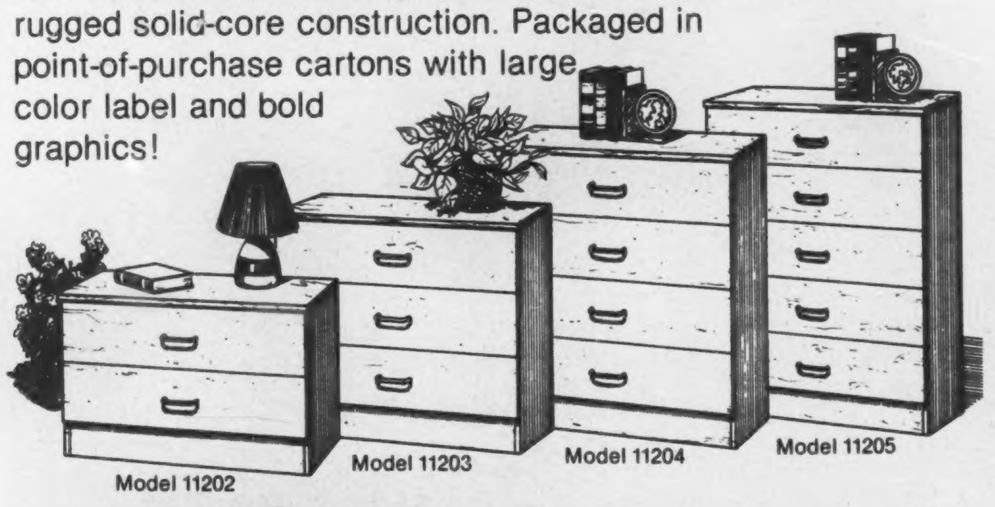

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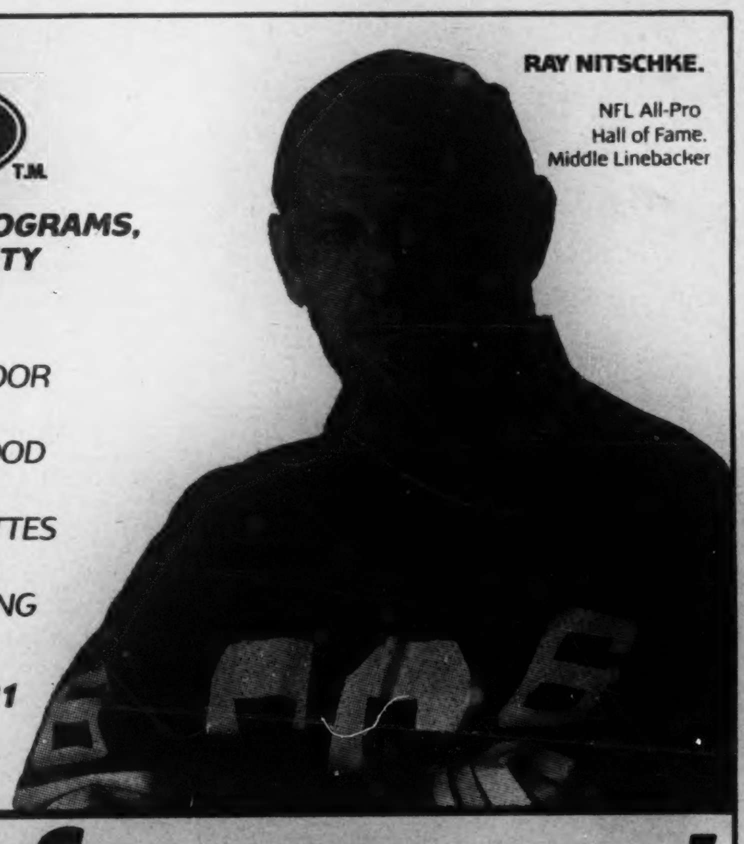

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Calif. Food Wholesaler Strikes Back at Warehouse Clubs

(Continued from page 1)

Dave Fitton, president of Cergro's Service Group, said the Convenience Clubs would regain the wholesale business lost to membership warehouses by giving members a greater assortment of merchandise plus conveniences and services that aren't provided by wholesale clubs.

Besides walk-in cash and carry sales, the Convenience Clubs, unlike membership warehouses, will deliver, charging for the service. Business members will be processed at special checkouts and their parking area will be next to the store, eliminating the need to carry orders to a vehicle parked far away.

Both units will feature an extended frozen food and dry grocery assortment, augmented by selected H&BA, stationery and general merchandise sold by independent grocery stores and/or used by restaurants, commissaries and other food service businesses. They won't merchandise non-food items like toys and auto accessories or high-end goods like consumer electronics that wholesale clubs use to attract consumers.

The Clubs will carry 5,000 to 7,000 sku's, compared to the 800 food sku's found in most membership warehouses. The Phoenix store is 36,000 square feet while the Long Beach unit is 43,000 square feet. Membership warehouses usually devote about 25,000 square feet to food.

Fitton noted that about 500 sku's usually sold by wholesale clubs are packs or sizes that aren't traditional supermarket items. Retailers have had to adjust their businesses to use the merchandise.

The Convenience Clubs will offer the same packs and sizes found in wholesale clubs and "round out its mix with the goods that retailers need and want," he said. Convenience Clubs' business customers should be able to fill all their needs at competitive prices, rather than shopping a membership warehouse for some merchandise and then completing their order at a cash and carry wholesaler.

He noted that a small number of wholesale club customers—restaurants and food retailers—account for most of the sales. "We want to serve these customers along with clubs and organizations like Little League teams that purchase a lot of merchandise when they go to a club."

The two Convenience Clubs will be closely monitored before Cergro decides on opening more stores. The initial units will serve to test the concept as each is located in close proximity to a Price Club unit.

The stores won't advertise; instead, reps will call on food retailers in their market. The term "Club" is expected to draw consumers, Fitton said, because the membership warehouses have done "an excellent job" in making people aware of the club idea.

Cergro, a major food wholesaler, operates 13 traditional cash and carry Spartan warehouse stores, down from 21 units a few years ago. The extensive number of wholesale clubs in the region has cut into Cergro's overall sales, but volume at the remaining Spartans—which aren't open to the public—is up as the chain has responded to competition by lowering prices.

Spartans range from 8,000 square feet to 12,000 square feet in size and carry about 9,000 sku's. These cash and carry stores will continue to be Cergro's core business, with the Convenience Clubs providing additional volume.

Cergro disclosed plans to test two Convenience Clubs at recent supermarket industry gatherings and other food wholesalers have started to inquire about the concept.

Membership warehouses, meanwhile, are reportedly considering offering delivery service as a counter to the Convenience Clubs.

Ames Deals G.C. Murphy

(Continued from page 1)

priority in the coming year would be to reduce the company's debt load.

The sales agreement should be final by mid-September. Significantly, after suggesting that Office Shop Warehouse, Ames' office supplies specialty operation, might be for sale along with Murphy, Ames decided to keep it. "It's an area that shows a lot of promise, so we want keep an eye on it," he said.

Impact on Ames' sales is expected to be "insignificant," Roberts said. With Ames' fiscal 1990 revenues estimated at $5 billion, increased attention to the turnaround of the troubled Zayre stores was considered more important than the $175 million in sales rung up by the variety stores.

According to E-II Holdings, the newly acquired stores will still be called G.C. Murphy and Bargain World. According to McCrory Stores chairman Philip Lux, "The . . . stores are a natural fit for E-II Holdings, which already owns McCrory Stores and Bargain Time Inc. The addition of these stores is part of the expansion program we have been committed to in variety store retailing."

Lux added that the acquisition strengthens the company in key states like Indiana, Ohio and Pennsylvania. McCrory operates 1,300 stores in 38 states under a variety of names, including J.J. Newberry, McCrory, T.G.&Y., McLellan and Kittinger. Annual sales are in excess of $1.5 billion.

Chuck Merck, a former McCrory regional manager, will head up the new G.C. Murphy division.

Office Square Readies for Expansion

(Continued from page 3)

the two current units are in Chicago—along with smaller communities, with Akron, Ohio, and Lansing, Mich., cited as examples.

Office Square's projected 23 stores would still leave the chain far behind in the race among office supply warehouses to open as many units as quickly as possible. Four chains—Office Depot, Staples, Office Club and Biz-Mart—will be operating anywhere from 28 to 55 units by year-end alone, with at least 10 firms likely to be twice Office Square's size in two years.

K mart's plan to expand Office Square came on the heels of the resignation of Frank S. Denny, Builder Square's chairman who founded the discount office supply chain. Denny recently launched Office Products of America as his second entry into the office supply megastore field (see *DSN*, Aug. 7, page 3). Denny's severance deal with K mart prohibits him from opening stores in Illinois, Michigan and Ohio for two years.

Jack Gutherie continues to head up Office Square as its executive vice president and general manager.

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Vol. 28, No. 16 August 21, 1989

Service Adds to Debt to Avert Takeovers

(Continued from page 3)

to cover capital spending as no dividends are expected in coming years."

The cataloger will unveil 20 showrooms this year and projects 14 to 16 new stores yearly in subsequent years. The new units being opened this year include the chain's first showrooms in Virginia, home state of rival Best Products. These stores are in the Alexandria and Woodbridge suburbs of Washington and in the Tidewater city of Hampton. Units are projected for next year in the Chantilly suburb of Washington and in Roanoke.

With Virginia, the cataloger now has showrooms in 37 states, the second-largest national presence of any major discounter. K mart is in all 48 contiguous states, while Target is in 29, Best is in 27, Wal-Mart is in 25 and Ames is in 22.

Service's chairman and president Raymond Zimmerman said the recapitalization was "undertaken at the company's own initiative and should be distinguished from defense restructurings that require sales of assets or other fundamental changes in business strategy." The board believes the recapitalization "will help to enhance the stock market's awareness of the company's intrinsic values," he added.

The recapitalization involved three elements:

- A $360 million 5½ year term loan at 1¾ percent over prime. The repayment schedule, starting in December, calls for payments of $20 million, $60 million, $70 million, $80 million and then the remainder.
- A $140 million real estate bridge loan due in July 1990. It will be replaced by permanent mortgage financing on some of the cataloger's real estate.
- A $475 million working capital revolving credit facility from a syndicate of lenders led by Chemical Bank, New York.

PACE Set to Install Interactive Terminals

(Continued from page 3)

resentative said other membership warehouses are considering using the kiosk.

The terminals mark the debut of NCR as a supplier of interactive kiosks. NCR had exhibited its unit in January at the National Retail Merchants Association's convention and in May at Touche Ross' Electronic Retailing '89.

Besides NCR's hardware, the terminal runs on a software and graphics program supplied by Origin Technology and Multivision. Origin failed in an attempt to market its own kiosk and redirected its efforts to developing software. Companion Systems supplies the kiosk housing.

While Jan Bell sponsored the jewelry kiosks, PACE initiated the tire and battery informational terminals, which were developed and supplied by ByVideo Inc.

Jan Bell's Fort Lauderdale headquarters is online to the kiosks to poll the units and monitor their self-diagnostic program for maintenance.

Jan Bell is the dominant jewelry vendor to the wholesale club industry, supplying merchandise to six major chains: Price Club, Sam's Wholesale Club, Costco, BJ's Wholesale Club, The Wholesale Club and PACE. Last month it began a test program at the Sears Outlet stores in Philadelphia and Washington, with merchandise also due to be included in a Sears specialty catalog in the fall.

Jan Bell president and chief executive officer Alan Lipton said the kiosks represent "the biggest enhancement yet to our growth." Jan Bell's sales last year were $120 million, up 47.5 percent from $72.5 million in 1987. Membership warehouses accounted for about 90 percent of its sales, up from about 80 percent in the prior year.

While PACE merchandises 80 to 120 sku's in its jewelry showcases, the kiosk will sell about 300 items, most of which will be special order goods that aren't found in the jewelry display. Jan Bell was selecting the kiosk's exact mix at presstime.

Customers will buy jewelry through a kiosk by viewing the available items on the terminal's TV screen, selecting the merchandise they want via the touch-screen and obtaining a receipt, listing the specific goods and prices.

The kiosk's presentation will indicate whether the goods are basic items, stocked in the store, or special order merchandise, which can be picked up at the club within five business days.

The customers then take the receipt to PACE's pickup counter to purchase in-stock jewelry and/or to pay for the special order goods. They will have to return to the store to actually pick up the latter merchandise.

Kiosk orders are polled at night by Jan Bell so the vendor can replenish the core in-store mix and to track what special order goods are to be shipped to which stores. But each store also reports the actual purchases of special order goods, so that the vendor doesn't end up shipping merchandise that customers have indicated they want but haven't really bought.

The store handles the entire sale, the Jan Bell representative said, to maintain PACE's identity as the jewelry merchant and to encourage additional visits to the club. As PACE, and other membership warehouses, don't accept credit cards, there wasn't any convenient method for the kiosks to be used as a mail order device, similar to the way customers buy merchandise through other kiosks.

The kiosks, which are being incorporated into PACE's jewelry section showcases, include a telephone so that shoppers can obtain additional product information and even discuss possible customized changes to an item.

Jan Bell has developed different programs for each wholesale club. Some best sellers are carried by all clubs but most items are only merchandised by one chain. The mix includes goods with prices as high as $10,000.

Thomas Named New APAA Chair

LANHAM, Md. — James W. Thomas, a vice president of Maremont Corp., has been nominated as chairman of the Automotive Parts & Accessories Association. Nomination is tantamount to election, set for Aug. 27, and Thomas is expected to take office the day the APAA auto show opens in Chicago Aug. 28.

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Kmart Test Previews Look of 1990

Powerful Graphics, Displays Highlight Detroit Test Unit

By Kenneth M. Chanko

OAK PARK, Mich. — Adopting many of the sophisticated merchandise presentation techniques from its American Fare hypermarket, K mart has unveiled a significantly upscaled look for its traditional discount store.

With the opening here early last month of its 86,000-square-foot "laboratory" test unit—its first new store in the Detroit metro area in eight years—the nation's No. 1 discounter has been conspicuously transformed. Officials said the unit depicts the look of K mart stores for 1990.

In terms of an upscale look, this new test store—which was built from the ground up—is head and shoulders above even the sharpest looking K mart store of a mere two years ago.

"We wanted to enhance the presentation to show our customers what our merchandise really looks like," said Joseph Antonini, K mart chairman, who appeared at a brief ribbon-cutting Aug. 3 at the store, located at 26200 Greenfield in the Lincoln Center.

It's the same merchandise sold at over 2,200 K mart stores, but it's displayed with heightened sophistication at the new Oak Park, Mich., store. (DSN photo)

In addition to upgraded, high-tech fixturing and a proliferation of full-color, oversized signage and graphics, the traditional orange and blue K mart color scheme has been abandoned. New features include: Fire-engine red graduated banners hanging from the ceiling along the racetrack identifying the different departments, higher ceilings and merchandise attractively displayed high and wide against back walls.

Richard Miller, executive vice president, K mart Stores, said, "We're using shelving that holds full-pack quantities of product. We've also decreased stockroom space to get more product on the selling floor."

Full-color three-sided hanging graphics, deeper endcap shelving allowing for more powerful displays and merchandise presented up to 12 feet against back walls that readily identifies the department from across the store, are among the display techniques that give the store a very un-K mart-like pop.

"I've had more than one customer come up to me and say they never knew we carried a particular product that we've always carried at our stores," said Bill Lauter, co-manager of the store. "It's because of the new presentation. People have also told me it doesn't look at all like the K mart they're used to."

The apparel and CE presentations are particular standouts. Apparel occupies 38 percent of the 71,000 square feet of selling space, an increase over

(Continued on page 43)

Sears Tackles Its Women's Problem

Upscales Image, Presentation in Ladies' Apparel

By Kenneth M. Chanko

AURORA, Ill. — With the unveiling of its revamped women's apparel department here last month, Sears has finally made a significant effort to revitalize one of its most troublesome merchandising categories.

Sears' 30,000-square-foot "The New Women's Store at Sears," on the second floor of its Fox Valley store, is the last of the retailer's new apparel departments to debut. Of all Sears' new everyday low price "power departments," women's apparel offers the greatest challenge to the nation's No. 1 retailer.

Wayne G. Williams, vp, women's apparel, in front of the new, upscale Mainframe shop in 'The New Women's Store at Sears' department at the Aurora, Ill., store. (DSN photo)

"We have a long way to go in terms of image," admitted Wayne G. Williams, vice president of women's apparel, accessories, footwear and luggage at the Merchandise Group. "In sales, we do more business than men's or kids', but there's a lot more business we *could* be doing in women's." Like "The Men's Store at Sears," which debuted at this store

(Continued on page 44)

Sears Previews Hardware Power Format—see page 31

May Deal Makes Sense For Two Major Chains

Bradlees-Caldor, Target-Venture Possible

By Richard C. Halverson
Nationwide DSN Report

News Analysis

About all anyone can say for certain about the proposed sale of Caldor and Venture is that a lot of retailers and investor groups would love to own the chains—if the price is right.

But it apparently wasn't right for the first go-round, one analyst of retail stocks speculated, when May Department Stores privately solicited bids for its discount chains. Consequently, May had to call on the services of Morgan Stanley to put the chains on the public auction block in June and find a buyer willing to pay the price, said the analyst for a major New York brokerage house. (The analyst requested to remain

(Continued on page 43)

Price Club Shuffles Execs To Support Diversification

By Pamela Meek

SAN DIEGO — Price Co. has reorganized its operational structure in a move that signals the growing importance of its non-warehouse club operations.

The membership warehouse club industry leader based here has named its chief financial officer, Giles Bateman, to a new role as director of non-warehouse operations.

Bateman, whose new position has not been given a formal title yet, has been Price Co.'s cfo since its inception. He retains his executive vice president title, but gives up his financial role in order to oversee Price's diversification into other avenues of growth, including its Price Club Indus-

(Continued on page 43)

Apparel:
Dress Barn Targets Plus-Size Customers
page 21

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Hard Lines:
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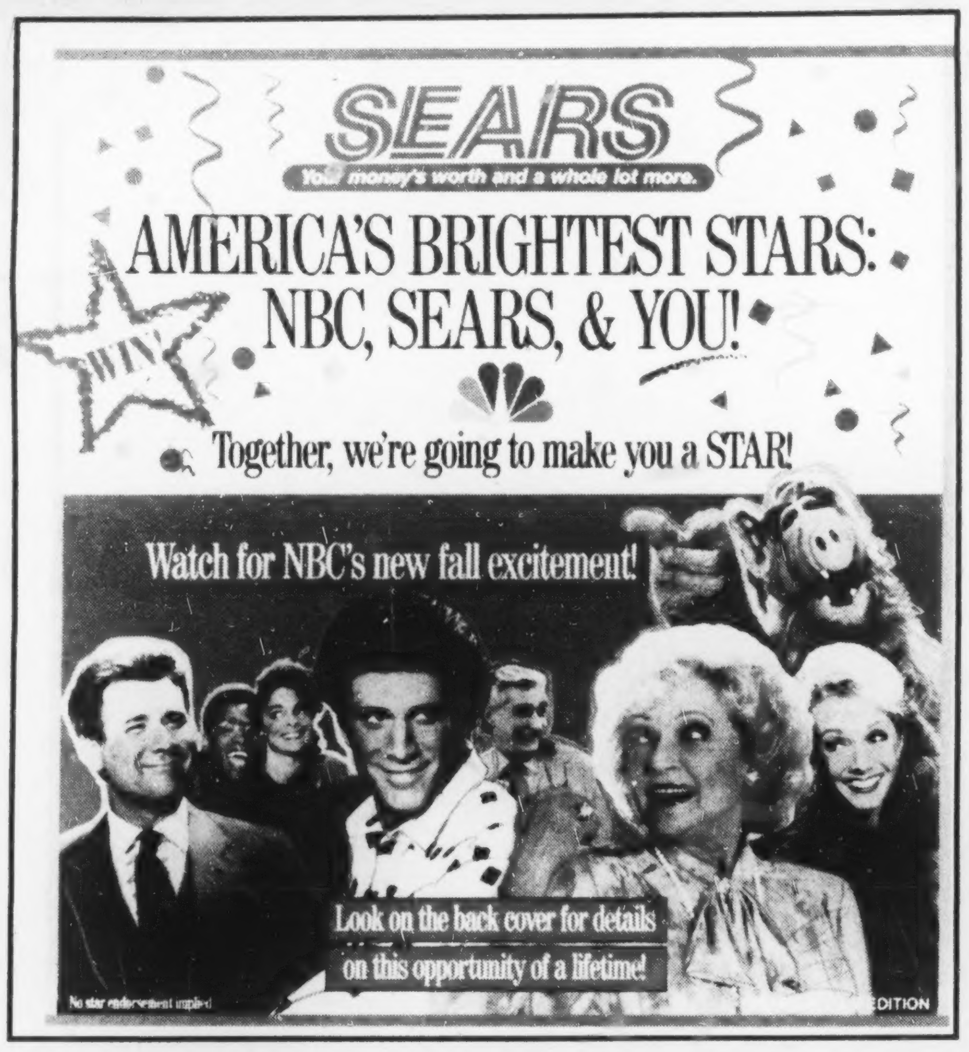
MARKETWATCH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EDITION

Sears, Kmart Kick Off Promotions

NEW YORK — Sears kicked off its joint sweepstakes promotion with NBC Sunday, Sept. 3, with an in-store celebration at its 850 locations nationwide. K mart, which is also involved in a joint network sweepstakes (see *DSN*, May 22, page 1), will debut its promotion with CBS Sept. 17. Sears stores will preview NBC's fall lineup with banners, mobiles, posters, tent cards, billboards, a video of five new shows, and a variety of other events with local NBC affiliates including special guest appearances. K mart plans similar events. In order to enter the promotion, Sears' customers must complete entry blanks and provide answers to five questions about five of NBC's new shows. Sears will pick a winner at random from a selection of Sears stores. Four grand prize winners will be awarded a role in one of NBC's new shows. Over $2 million in cash and prizes will be given away. K mart is utilizing an instant match game card that can be redeemed immediately for a prize at all K mart stores. Both retailers, who are promoting the sweepstakes in their newspaper circulars, are looking to boost store traffic and sales.

Clover to Expand Into Delaware

PHILADELPHIA — Clover will expand into Delaware next year when it opens an 83,000-square-foot store in a former Bradlees in the Kirkwood Plaza Shopping Center in Wilmington. Clover, the discount division of Strawbridge & Clothier, currently operates 23 stores in Pennsylvania and New Jersey.

Present Acquires Cataloger Save-Rite

ROCHESTER, N.Y. — In a synergistic move, the $77 million Present Co. has expanded its 32-showroom chain in central New York into Rhode Island, Connecticut and Massachusetts by acquiring the seven-unit, $39 million Save-Rite chain for an undisclosed amount. Both catalogers are members of the MAI group and each operates fine jewelry stores besides full-line showrooms.

Goldblatt's Opens Another Chicago Unit

CHICAGO — Goldblatt's Department Stores next month will open its 12th discount store in the Windy City when it unveils a 40,000-square-foot unit as a co-anchor in the Lake Meadows Shopping Center on the near South Side. A 50,300-square-foot Jewel Food is the other anchor in the 177,000-square-foot community center that serves two high-rise apartment complexes, the Michael Reese Hospital and the Illinois Institute of Technology.

Stanley Works Nails Parker Tool Firm

NEW BRITAIN, Conn. — The Stanley Works has completed its acquisition of The Parker Group, Northboro, Mass., adding Parker fastening tools: glue guns, stapling guns, riveting tools and soldering tools,to its product mix. Terms of the deal were unannounced. Stanley sales last year totaled $1.9 billion.

FOR THE RECORD

The phone number of AEI Music Network, a Seattle-based firm that handles music performance rights and record company contractual fees, is (206) 329-1400. The number was incorrect in the Aug. 7 issue of *DSN*.

Wal-Mart Tells Vendors to Supply Environmentally Safe Merchandise

BENTONVILLE, Ark. — Wal-Mart has become the first major retailer to publicly identify itself with the nation's growing concern over the environment by "challenging" its suppliers to provide environmentally safe products.

As the nation's third-largest retailer, Wal-Mart's action could eventually have a major impact on how manufacturers produce and package their goods. Wal-Mart's challenge, announced in full-page ads in *The Wall Street Journal* and *USA Today,* is seen as boosting the swelling effort among food and general merchandise manufacturers to provide environmentally sound products in recyclable or biodegradable packaging.

In the ad, Wal-Mart said it would "highlight the improvements you make with special signing in our stores alongside your products. Together, we'll provide our customers with the choice to purchase environmentally improved products."

The discounter, however, didn't plan to drop any products because of environmental considerations from the mix in either the Wal-Mart or Sam's Wholesale Club stores, a company spokeswoman told *DSN*.

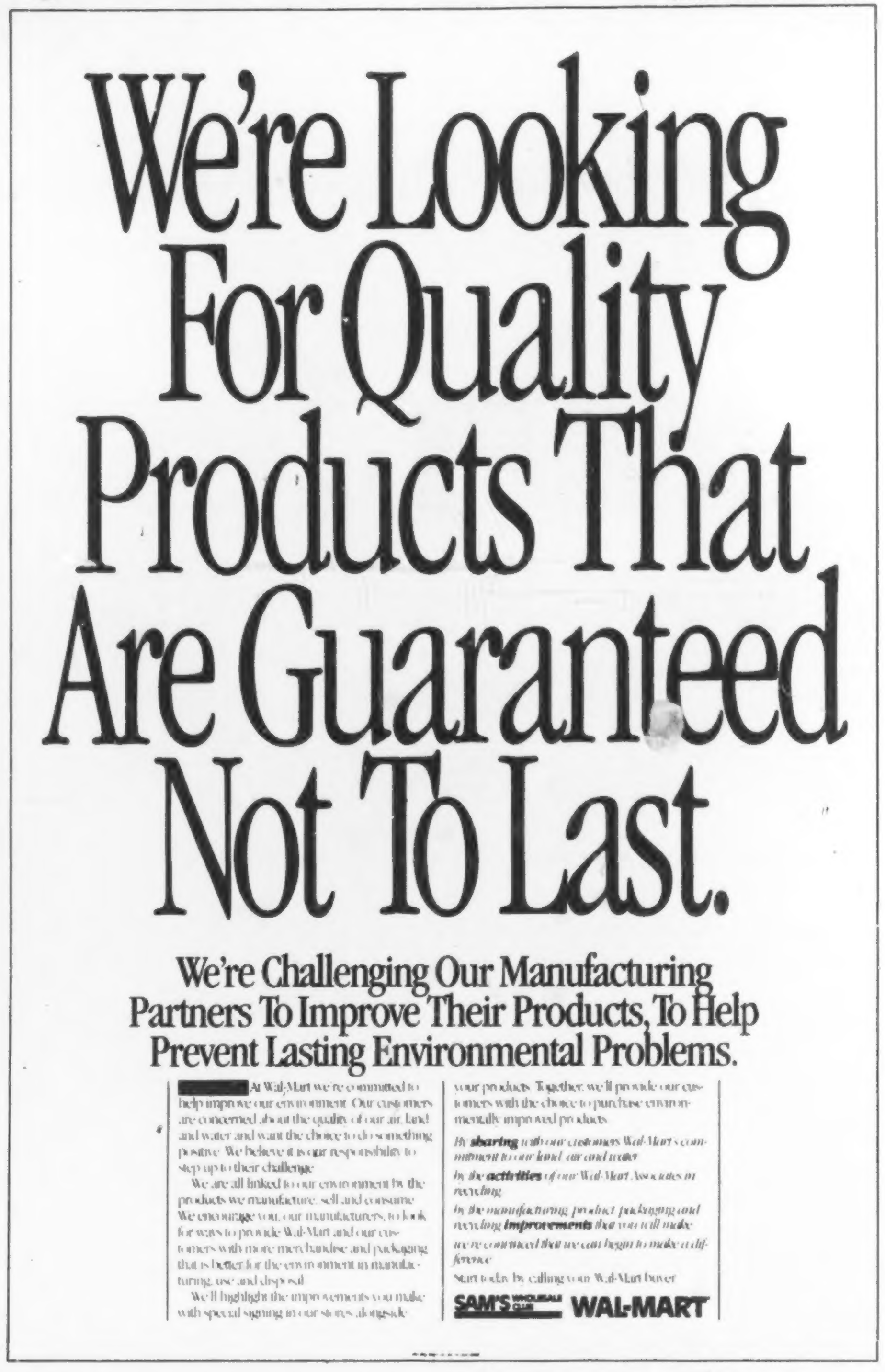
The special notices will be shelf tags and other "highlight" signs, the spokeswoman added, but no date was given for the rollout of the signage.

Wal-Mart's environmental awareness program is similar to its "Buy American" effort to promote the use of merchandise manufactured in the United States. The company has reaped heaps of positive publicity from that ongoing campaign, enhancing its perception as a socially conscious retailer and creating jobs in many of its prime markets. Other merchants have been seen also-rans, claiming identical efforts to purchase more American-made goods but failing to derive the same consumer recognition.

A similar situation could occur in Wal-Mart's environmental drive. The retailer has again staked out a position as a socially responsible company, while competitors are reduced to playing follow-the-leader in their concern for the environment.

Before placing the ads in the two newspapers—which have the largest business and

(Continued on page 44)


USA TODAY · TUESDAY, AUGUST 15, 1989 · 7A

We're Looking For Quality Products That Are Guaranteed Not To Last.

We're Challenging Our Manufacturing Partners To Improve Their Products, To Help Prevent Lasting Environmental Problems.

SAM'S WHOLESALE CLUB WAL-MART

Wal-Mart played up its new program promoting concern for the environment with ads in The Wall Street Journal and USA Today.

Washburn Shifts From Wal-Mart to Sam's

BENTONVILLE, Ark. — Colon Washburn, formerly senior vice president, general merchandise manager for all apparel categories at Wal-Mart, has been shifted to senior vice president, gmm of all merchandise categories at Sam's Wholesale Club.

Washburn succeeds Rob Voss, who will work on "special projects" for Sam's.

A replacement for Washburn has not been announced.

Washburn will have total merchandising responsibility for soft lines, hard lines and food at Sam's.

It hasn't been determined to whom Washburn will report. Nick White is executive vice president and general manager of Sam's, and he reports to Al Johnson, corporate vice chairman, who recently came out of retirement to head up Sam's, which doesn't officially have a president yet.

Washburn had been senior vp, gmm of all apparel at Wal-Mart for the last eight years. Before that, he was a divisional merchandise manager of men's and children's. He joined Wal-Mart in 1971 as a sales clerk.

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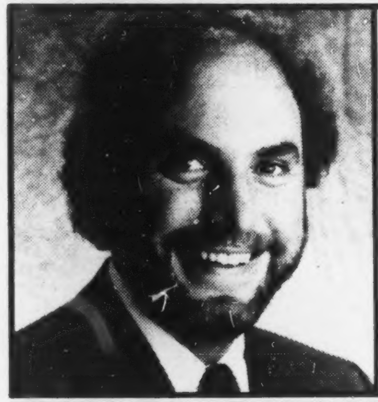
EDITORIAL

SPARC Awards Promote Partnerships

As I sat on the dais during *DSN's* recent vendor awards banquet, which is affectionately called SPARC (Supplier Performance Awards by Retailer Category), I began to think about the buzzword *partnership* and what it actually means.

While *Discount Store News* has sponsored the SPARC Program since 1978, only recently has the retailer/vendor *partnership* has become a major issue among retailers. Several top discounting executives, including K mart's Joe Antonini and Wal-Mart's Dave Glass, have been outspoken on the subject. It seems that almost every retailer has jumped on the "partnership bandwagon." Individual vendor recognition programs abound, although *DSN's* SPARC program is the only industrywide awards program in existence.

As SPARC committee chairman Gene O'Donnell announced the names of 60 vendors in 20 merchandise categories during the banquet, I kept hearing the word partnership . . . partnership . . . partnership. The word partnership alone, I thought, certainly does not guarantee shelf space, success or increased sales. What is it then that these 60 companies have done or contributed that they would garner such recognition from the industry's top retailers? Inevitably, this question is asked again and again by both retailers and suppliers.



TONY LISANTI
Editor

The answer can be found simply in the basic criteria that are used by retailers to judge the SPARC nominees. These 10 points can be a checklist for both retailers and suppliers from the top gmm's and nsm's to store managers and account supervisors to evaluate their programs and insure a long-lasting and profitable partnership. They are:

☐ Self-sell packaging.
☐ Gearing product mix to maximize turn and profit.
☐ New product innovations.
☐ Simplified reorder systems to speed replenishment.
☐ Meeting delivery commitments.
☐ Service programs (i.e., planograms) designed to increase total department productivity.
☐ Availability of advertising support.
☐ Pre-selling through consumer advertising programs.
☐ Quality control.
☐ A complete ongoing program to meet the specific needs of discount retailers.

As a longtime supporter of the vendor/retailer partnership, *DSN* will soon launch a regular series of articles focusing on the top three SPARC award winners by category. The purpose will be to analyze the specific policies and programs that these vendors have established with retailers that helped them achieve industrywide recognition.

The importance of participation, not only in SPARC, but other programs as well, may sometimes be underestimated by some retailers and vendors. A surprising and unfortunate occurrence at the August 13 banquet is a perfect example: When SPARC chairman O'Donnell announced the first place winner—Sauder—in the RTA category and no representative was in attendance, the audience booed loudly in disbelief. I make this point not to be critical of Sauder, but to emphasize the value and importance the industry places in the SPARC awards program.

In today's environment, the true partnership can be an effective tool to increase sales, a classic win-win situation.

The SPARC program proves that a partnership is more that just being on-line.

P.S.—Complete coverage of the 12th SPARC Awards Banquet, including photos and a list of all award winners, will appear in the next issue of *DSN*. In addition, profiles of the Discounter of the Year, Vendor of the Year, and Hall of Fame inductee will also be included.

Congratulations to every SPARC award winner and to ShopKo's Bill Tyrrell, Discounter of the Year; Newell's Dan Ferguson, Vendor of the Year; and Ames' Herb Gilman, the newest member of *DSN's* Discounting Hall of Fame.

WASHINGTON REPORT

VAT Spells Trouble for the Discount Industry

Despite the President's "read my lips" campaign promise not to raise taxes, government will be taking a bigger bite out of the discount industry profits next year.

Even if Washington manages to hold the line—a shaky premise to begin with—retailers across the country will be paying more to state tax collectors in 1990.

KEN RANKIN

Indeed, according to IMRA's State Legislative Service, lawmakers in at least 30 states have voted to raise taxes already this year. Of that group, nearly two dozen states increased their excise taxes, six "significantly" raised personal income taxes, and five (Connecticut, Georgia, Kansas, North Dakota, and West Virginia) approved corporate tax hikes. Another five states—Connecticut, Illinois, Missouri, Montana and Rhode Island—have enacted large increases in sales tax rates.

Back in Washington, at least one major federal tax—the Social Security payroll tax on both employers and employees—will continue to climb next year regardless of what Congress does.

Moreover, the Bush administration's chant of "no new taxes" notwithstanding, House and Senate Democrats are committed to force President Bush to accept some form of "revenue enhancement" as part of any compromise package to keep the federal budget deficit in compliance with Gramm-Rudman-Hollings guidelines.

> ***Ultimately, consumers would end up paying the VAT, in the form of inflated retail prices. Such price increases could create considerable consumer resistance to budget-priced lines.***

Options include higher excise taxes on alcohol and tobacco, a stiff new oil import tariff, and "user fees" on federally regulated businesses.

At the same time, some congressional leaders are mulling the possibility of expanding the existing federal tax base in order to fund new government programs during the 1990s.

One possibility, of course, would be a straightforward hike in business and individual income tax rates. Such a move, however, would be widely perceived as congressional back-tracking on the "tax reform" law which reduced rates in return for eliminating loopholes.

As an alternative, some congressional leaders are exploring an entirely new form of taxation—a tax on consumption.

Consumption taxes aren't new, of course. So-called "value-added taxes" have been widely used in European countries for decades.

Like a national sales tax, a VAT would generate enormous revenues. Indeed, the Congressional Budget Office estimates that a value-added tax could capture as much as $80 billion annually.

Unlike a national sales tax, however, a VAT would be imposed on each level in the production and distribution process. Manufacturers would pay their share and then factor that amount into their prices. Wholesalers and retailers, in turn, would do the same.

Ultimately, though, consumers would pay the VAT in the form of inflated retail prices. Because it increases the cost of consumption, this kind of tax would inevitably dampen retail sales—particularly in the discount store industry. An extra 5 percent tax shouldn't have much effect on the demand for luxury goods, but it could create considerable consumer resistance to budget-priced lines.

For discounters, this could be the cruelest tax of all.

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Discount Stores Attract Heavy Cosmetics Users

By Mary Ellen Kelly
Nationwide DSN Report

The two strong suits of the discounter cosmetic/fragrance department are low-ticket merchandise that lend themselves to color experimentation such as nail tips or polishes, and alternative designer fragrances (ADFs).

Also in their favor, discount stores attract a much higher percentage of "heavy cosmetics users," than do other types of stores. Defined as women who had purchased at least seven of 12 different types of cosmetic products during the past year, these heavy users spend an annual average of $154 on cosmetics and fragrance items, compared with $61 for moderate users and $18 for light users.

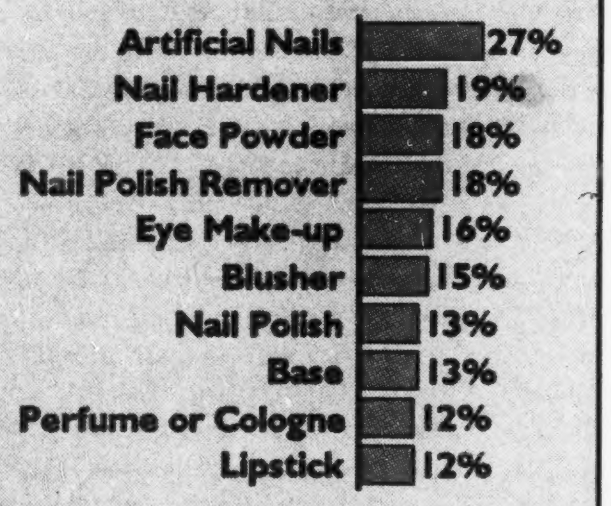
Item	Average Expenditure	Average Number Bought
Perfume or Cologne	$25.10	3
Facial Creme	16.20	3
Facial Masks	14.70	2
Eye Make-up	14.60	4
Artificial Nails	14.00	3
Base	13.80	3
Face Powder	12.60	2
Lipstick	11.80	4
Blusher	10.20	2
Nail Polish	9.60	5
Nail Hardener	8.30	3
Nail Polish Remover	3.80	2

Source: Leo J. Shapiro & Assoc/DSN

About one-quarter of the 453 women across the country who participated in the survey, conducted by Chicago-based Leo J. Shapiro & Associates exclusively for *DSN*, said they have shopped at discount stores for cosmetics and fragrances during the past year. Additionally, roughly 20 percent of the respondents singled out either K mart or Wal-Mart as outlets where they made their most recent purchase of these products.

Discount Store Shopping

Percent of Women Making Most Recent Purchase at Discount Store



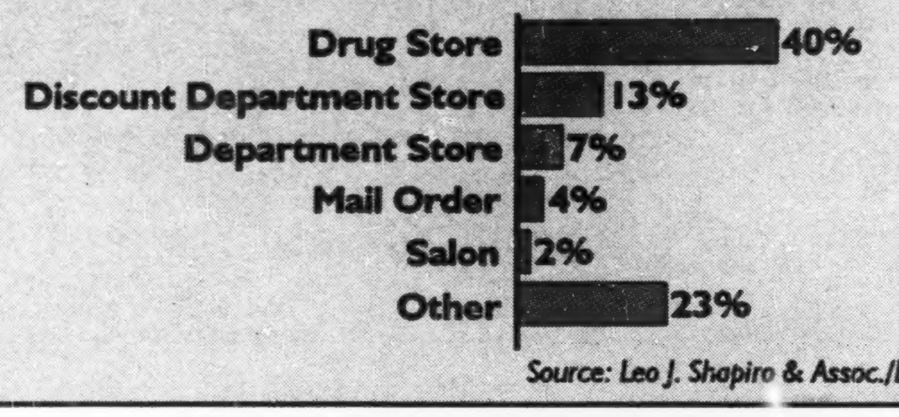
Source: Leo J. Shapiro & Assoc./DSN

Drug stores and department stores were favored by 50 percent and 48 percent, respectively. While twice as many women said their last purchase was at a drug store rather than at a discounter, K mart and Wal-Mart were each mentioned more than any single drug store chain. Revco and Osco were the top rated drug store chains, but each were noted by only about 6 percent of survey participants as the place where they made their last cosmetics or fragrance purchase.

Specialty cosmetic sources were very popular among the women in the survey. Avon was the most often cited cosmetic and fragrance source of all outlets—drug, discount, department or specialty. Mary Kay was also a popular specialty source, named by another 8 percent.

Where Women Buy Alternative Designer Fragrance Products

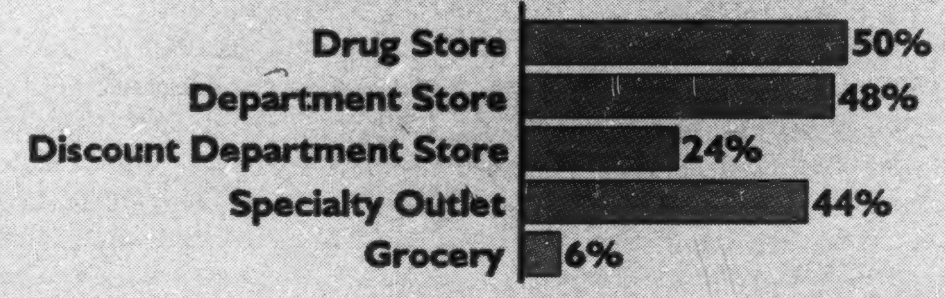
Percent of Women Who Have Ever Purchased a Perfume Copy



Source: Leo J. Shapiro & Assoc./DSN

Where Women Last Bought Cosmetic/Fragrance Products

Percent of Women Who Purchased Cosmetic/Fragrance Products In Past 12 Months



Source: Leo J. Shapiro & Assoc./DSN

While cosmetic and fragrance customers may shop at department stores, drug stores and specialty sources more often than discounters, each of these female customer groups spent an average of $83 each year in the department, regardless of store type.

The special attributes of the discount store customers include a greater than average annual expenditure on eye make-up, nail polish, base and face powder. Discount store shoppers are also much heavier cosmetic users; 42 percent were heavy cosmetic purchasers compared with 26 percent of those who generally do not shop discounters.

More women said they bought perfume or cologne during the past 12 months than any other product included in the survey. A total of 57 percent of respondents purchased a fragrance during the past year. On average, these women spent a total of $25 on three fragrance purchases during the past year, nearly $9 more than the amount they spent on facial creme, the second-ranked product on the survey.

The amount spent on fragrances was inversely related to the total amount spent on cosmetics or fragrances during the year. That is, those who spent the least amount of money on the cosmetics/fragrance category, spent the largest percentage of those dollars on perfume or cologne; those who spent the most on cosmetics spent the smallest percentage of dollars on perfume or cologne.

Shoppers Know About ADFs

Alternative designer fragrances had a high recognition rate—60 percent have seen these products. About 25 percent of the women familiar with ADFs have tried them. Women who shop discount stores are more likely to try ADFs. Among discount store shoppers who have heard of these fragrances, 38 percent have tried them.

Nine percent of the women said they would be very interested in purchasing an alternative designer fragrance product and 26 were somewhat interested. The 62 percent who were not at all interested decided not to buy an ADF for two reasons: these women either do not wear perfume very often, or they objected to the quality of the imitations.

Discount store shoppers were significantly more interested in ADFs. Forty-one percent of discount store customers were interested in trying an ADF, compared with the 34 percent of non-discount shoppers that were similarly inclined.

Not surprisingly, the most favorable quality of ADFs was the low price. Eighteen percent of those who made a positive statement mentioned price as a factor.

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Bradlees Unites CCTV, POS to Curb Cashier Theft

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to curb employee theft that stems from collusion at the cash register.

Dubbed Dataplexer, the cashier surveillance system, which Bradlees is rolling out at the rate of five stores a week, marries closed circuit television cameras to point-of-sale information.

Sitting in the control room, security guards can watch TV monitors on which the actual POS information cashiers are ringing up overlays a CCTV view of their activities.

In a 10-store test in the first quarter, Bradlees recovered an average of $1,000 of merchandise a month per store, said Sam Asano, president and founder of the vendor, Shintron, Littleton, Mass.

Bradlees projects that the surveillance system will help trim its shrink rate by a full percentage point, Asano said. That would push it down to the discount industry range of 1.5 percent to 2.0 percent and add some $20 million to Bradlees' bottom line. The chain expects to recoup its investment by Christmas, Asano said.

Jack Chambers, head of management information services for Bradlees, confirmed that his chain is rolling out the Dataplexer system but declined further comment.

Bradlees thus joins at least two other major discount chains using similar surveillance systems, said Jack Hayes, a loss prevention consultant for Ernst & Young and head of his own LP consulting firm, Hayes International.

Such systems are quite successful in terms of both dollar recovery and apprehension, Hayes said. "They're a coming trend."

Sensormatic, Deerfield, Fla., whose main business is electronic article surveillance tags, also has developed a system called POS/EM that marries CCTV to POS, Hayes said.

The Bradlees rollout apparently is the first among discounters, said Mike Smith, product manager for Sensormatic's POS/EM. Sensormatic has installed POS/EM in about 40 retail locations, mostly department stores, Smith said, but no discounters.

Such systems have been out for a number of years, Smith said. Apparently the first was developed by Dan'l, St. Paul, Minn., for use by Target, he said. Other vendors include POSSI, Minneapolis, and Jensen, Chicago, Smith said.

POS/EM, which stands for point-of-sale exception monitor, differs from other such systems in that it doesn't require constant surveillance, Smith said. Instead, it will render a printout at the end of the day of the activities of suspect cashiers, such as those whose transactions take longer than usual or whose coupon redemption ratios are higher than normal, Smith said. Then security officials can go back and view the videotapes of just the suspicious transactions, he said.

Cashiers caught through such systems have confessed to stealing as much as $25,000 worth of merchandise, Hayes said.

Bradlees is just starting to test scanning in one of its 131 stores, Asano said, but ingenious cashiers have learned to cheat even scanners, he said.

They do so by pasting a scanning label to their forearms under sleeves, Asano said. Then they scan that label, instead of the bar code on the stolen item.

With Dataplexer, security personnel can monitor actions of individual cashiers by flipping TV cameras from checkout to checkout. Store managers assign suspect cashiers to the checkout that provides the best view of their actions, he said.

The activities of cashiers can be videotaped and the tapes stand up in court as evidence, Asano said.

The Dataplexer uses POS software from IBM, so IBM shares in the revenues from his system, Asano said. Other retailers can use Dataplexer, Asano said, provided their personal computers are IBM compatible.

IMRA will hold its fifth annual loss prevention conference from Sept. 10 to 13 in the Westin Oaks Hotel, Houston.

Peter B. Hollis, president and chief executive officer of Ames, will be the keynote speaker on the subject of "Strategic Marketing Issues of the '90s." In 1987, Hollis had to grapple with an unexpected $20 million inventory shortage that appeared after Ames acquired G.C. Murphy.

Ames overhauled its shrinkage control programs and procedures in all three areas, employee theft, shoplifting and paper shrink, following that discovery and expects that tighter controls will prevent a recurrence of shrink problems following its acquisition last October of the 388 Zayre stores.

In general session on Tuesday, Jack Shewmaker, a consultant and former president and vice chairman of Wal-Mart, will speak on "Discount Retailing in the 1990s."

Sears Revamps Women's Apparel

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in June, and "Kids & More," which was unveiled in Merrillville, Ind., in March, "The New Women's Store" at Sears is an enlarged and upscaled department that now carries 90 percent national labeled/branded merchandise.

"We have to become more attractive to the female customer," said Williams. "We have a great customer base going through the store, but the woman who walks through is selective. A lot of times she'll walk right by the women's department. We have to get her interested in this merchandise. We know we have the brands and labels she likes, and now we have it in a much different environment."

Williams said there will be six to eight other Sears stores that will get this new women's department before year-end. In 1990, Sears is targeting close to 100 of its largest stores to get the revamped department. The largest departments will run up to 36,000 square feet, while some smaller stores will see 12,000-square-foot women's apparel departments.

Up and running by the first of the year will be the retailer's S.A.M.S., or Sears' Apparel Merchandise System, which will allow merchandisers at headquarters to read sales every day by sku per store to aid in more precise and speedy replenishment.

"Our ability to flow the goods has been a problem in the past," admitted Williams, who added, for example, that all dresses will move out of one warehouse now instead of three different ones.

The department also offers a more focused product presentation, which means less sku's on the floor. "We've given up the highest and lowest price points—no more $19 to $140 price points—to both offer the best value and to reduce customer confusion," said Williams.

The new department, which is almost double the size of the men's department, is 10 percent larger compared to the old women's wear department at this store, even after the moving of maternity and girls' to the Kids & More area.

However, Williams emphasized that one of the keys to the new department is wider aisles and a lot more space between racks and fixtures.

"You'd never think that Sears would give up that much space to give the customer room to turn around, but we have," said Williams. "Historically, it's been a sea of racks. That look is out."

The layout puts the retailer's upscale junior-oriented sportswear shop, called Mainframe, at the front of the department as the customer enters off the mall on the second level. Williams called the Mainframe shop "a winner," adding that more space will be given to the Mainframe shops in future departments.

There is also junior sportswear directly to the right of the second-floor mall entrance, and missy casual sportswear to the left.

Activewear is the bridge across the aisle between the men's and women's areas.

The 8-foot focus walls used throughout the department are not attached to the ceiling to allow for increased flexibility, Williams noted.

Footwear has been substantially upgraded, with 60 percent to 70 percent of women's shoes being leather or suede, with many of the shoes selling at $30 to $35.

"We've given the department the kind of environment to sell at those kinds of price points," said Williams.

In dresses, all product is now national labels, such as SL Fashions, Tina Barrie/Jenny and Stuart Alan.

Sears has added two private labels, Middlebrook Park, which is a line of classic missy sportswear, and Premises, a line of more contemporary sportswear. The Middlebrook Park collection, in particular, has been attractively merchandised.

Both programs have been developed and designed (and in the case of Premises, sourced as well) exclusively for Sears by Associated Merchandising Corp., which develops women's apparel lines for upscale department stores. AMC is also working on other lines for Sears, including a collection of plus-size apparel, said Williams.

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Wal-Mart Promotes Environment

(Continued from page 2)

general readership, respectively, in the nation—the company sent letters to its suppliers calling on them to house their products in environmentally harmless or recyclable packaging. The company received a positive response from many vendors, the spokeswoman said.

Wal-Mart undertook its campaign in response to customer letters voicing distress about the state of the environment, the spokeswoman said. The ad noted this impetus by stating: "Our customers are concerned about the quality of our land, air and water, and want the opportunity to do something positive. We believe it is our responsibility to step up to their challenge."

The ad goes on to declare that "we are all linked to our environment by the products we manufacture, sell and consume. We encourage you, our manufacturers, to look for ways to provide Wal-Mart and our customers with more merchandise and packaging that is better for the environment in manufacturing, use and disposal."

Wal-Mart calls its effort "a first step," adding: "We're convinced that we can begin to make a difference."

The company's timing is opportune, coming as the "Green Revolution" gathers strength and a growing number of manufacturers are starting to use biodegradable or recyclable packaging. More and more communities, meanwhile, are requiring households to separate garbage into reusable and non-recyclable refuse.

Also, one recent consumer survey reported that more than half the respondents didn't buy a product because of environmental concerns, while about three-quarters said a company's environmental reputation influenced their purchasing decisions.

The survey also indicated that consumers were ready to pay more for environmentally sound products.

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